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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 22, 2001

APPLICATION OF

UNITED CITIES GAS COMPANY

CASE NO. PUE000171

For a general increase in  
rates

FINAL ORDER

On March 24, 2000, United Cities Gas Company ("UCGC" or "Company") filed an application requesting the State Corporation Commission ("Commission") grant it authority to increase its rates for natural gas service and to revise its tariff. The filing of the application was completed on July 11, 2000, and sought to increase the Company's annual revenues by \$2,050,592. The Commission entered a procedural order on August 9, 2000, setting the case for hearing on February 20, 2001.

On that date, the Company, the Commission Staff ("Staff") and the Office of the Attorney General ("OAG") appeared before our Hearing Examiner to advise that they were close to reaching a settlement and to request leave to file a proposed Stipulation incorporating the anticipated settlement terms at a later date. On February 28, 2001, the Stipulation, which purported to settle all outstanding issues among the Staff and parties, was presented to the Examiner for his consideration.

On April 17, the Examiner issued his Report, which found that the Stipulation represented "a fair and just resolution of this case and should be accepted." He recommended that we enter an order to adopt his findings, to direct prompt refund of all amounts collected under interim rates that exceeded the rates he found just and reasonable as set out in the Stipulation, and to dismiss the case thereafter.

The Stipulation, in nine numbered paragraphs, established that, notwithstanding the application, the Company's rates should be *decreased* by \$534,000, and that all collections under interim rates implemented as of January 1, 2001, should be refunded with interest, to the extent that these rates exceeded the settlement rates. Further, the Staff and parties agreed that the Company's return on equity should be set at 11.0%, within a range of 10.50% to 11.50%, for future Annual Informational Filings ("AIF") or Earnings Test Filings; that a rate design appended to the Stipulation should be adopted; that certain accounting and ratemaking provisions appended to the Stipulation should also be adopted; that the Company's 1998 AIF, still pending, should be closed without further action, and that the Company should file an Earnings Test, in lieu of a calendar year 2000 AIF, solely to measure the appropriateness of its regulatory asset level.

The Company and the Staff both filed letters waiving comment on the Report and urged that we adopt its findings and recommendations. We will.

NOW THE COMMISSION, having considered the record herein, including the Stipulation and the Hearing Examiner's Report, is of the opinion and finds that the findings and recommendations contained in the Report should be, and are, adopted in full.

Accordingly, IT IS ORDERED THAT:

(1) The findings and recommendations of the Hearing Examiner, as modified herein, are accepted.

(2) The distribution of the \$534,000 revenue reduction ordered herein shall be as set forth in the attachment to the Stipulation discussed herein.

(3) Rates reflecting the new revenue requirement will be billed to the Company's customers beginning with the July 2001 billing cycle.

(4) On or before September 1, 2001, UCGC shall recalculate, using the rates and charges prescribed in Paragraph No. 2 above, each bill it rendered that used, in whole or in part, the rates and charges that took effect under bond and subject to refund on January 1, 2001. Where application of the new rates results in a reduced bill, UCGC shall refund the difference with interest as set out below.

(5) Interest upon the ordered refunds shall be computed from the date payments of monthly bills were due to the date each refund is made at the average prime rate for each calendar quarter, compounded quarterly. The average prime rate for each calendar quarter shall be the arithmetic mean, to the nearest one-hundredth of one percent, of the prime rate values published in the Federal Reserve Bulletin or in the Federal Reserve's Selected Interest Rates (Statistical Release G.13) for the three months of the preceding calendar quarter.

(6) The refunds ordered in Paragraph No. 4 above may be credited to current customers' accounts (each refund category shall be shown separately on each customer's bill). Refunds to former customers shall be made by check mailed to the last known address of such customers when the refund amount is \$1 or more. UCGC may offset the credit or refund to the extent of any undisputed outstanding balance for the current or former customer. No offset shall be permitted against any disputed portion of an outstanding balance. UCGC may retain refunds owed to former customers when such refund is less than \$1. UCGC shall maintain a record of former customers for which the refund is less than \$1, and such refunds shall be promptly made upon request. All unclaimed refunds shall be subject to § 55-210.6:2 of the Code of Virginia.

(7) On or before October 1, 2001, UCGC shall deliver to the Divisions of Public Utility Accounting and Energy Regulation a report showing that all refunds have been made pursuant to this Order and detailing the costs of the refund and the accounts charged.

(8) UCGC shall bear all costs incurred in effecting the refund ordered herein.

(9) On or before October 1, 2001, UCGC shall file its Earnings Test for fiscal year 2000.

(10) This matter is dismissed.